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April 2, 2015

To: Mayor Michael D. Antonovich
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Supervisor Don Knabe

From: Sachi A. Hamai
Interim Chief Executive Officer

SACRAMENTO UPDATE

Executive Summary

This memorandum contains a pursuit of County position on the following measure:

- **Pursuit of County Position to Support SB 687 (Allen).** This measure would require the California Air Resources Board to establish a Renewable Gas Standard (RGS) that will require natural gas sellers in California to gradually reduce the carbon intensity of the gas that they sell by increasing the percentage of renewable gas made from organic waste. Therefore, unless otherwise directed by the Board, consistent with existing policies to support legislation which promotes the development of alternatives to landfills such as conversion technologies that protect health and safety and the environment and policies to support measures that promote the development of low carbon fuels and other feasible technologies that help meet Federal and State air quality standards, **the Sacramento advocates will support SB 687.**

SB 687 (Allen), which as introduced on February 27, 2015, would: 1) require the California Air Resources Board, on or before June 30, 2016, in consultation with the State Energy Resources Conservation and Development Commission and the California Public Utilities Commission, to adopt a carbon-based renewable gas standard

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that requires all gas sellers to provide specified percentages of renewable gas meeting certain deliverability requirements, to retail end-use customers for use in California, that increases over specified compliance periods. The bill would also require the California State Air Resources Board, on or before January 1, 2017, to issue an analysis of the lifecycle emissions of greenhouse gases and reductions for different biogas types and end uses.

The California Global Warming Solutions Act of 2006 (Act), establishes the California Air Resources Board (CARB) as the State agency responsible for monitoring and regulating sources emitting greenhouse gases and requires CARB to adopt a statewide greenhouse gas emissions limit to be achieved by 2020, equivalent to the statewide greenhouse gas emissions level in 1990. The CARB is also required to adopt rules and regulations in an open public process to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions. The Act authorizes the CARB to adopt market-based compliance mechanisms, as defined, meeting specified requirements. Existing law requires CARB to complete a comprehensive strategy to reduce emissions of short-lived climate pollutants in the State.

Under existing law, the California Public Utilities Commission (CPUC) has regulatory authority over public utilities, including gas corporations. Existing law requires the CPUC to adopt policies and programs that promote the in-State production and distribution of biomethane that facilitate the development of a variety of sources of in-State biomethane. Existing law requires the CPUC to adopt pipeline access rules that ensure that each gas corporation provides nondiscriminatory open access to its gas pipeline system to any party for the purposes of physically interconnecting with the gas pipeline system and effectuating the delivery of gas.

Under the renewable gas standard proposed in SB 687, gas sellers in the State would be required to gradually reduce the carbon intensity of the gas that they sell in California, beginning with a one percent reduction in 2020 and increasing to a 10 percent reduction by 2030. The bill would also limit the types of renewable gas which would satisfy the above requirements to either of the following: 1) renewable gas used onsite by an end-use customer in California; 2) renewable gas used by an end-use customer in California and delivered through a dedicated pipeline; or 3) renewable gas delivered to end-use customers in California through a common carrier pipeline that physically flows within California or towards the end-use customer, was not injected into the common carrier pipeline prior to March 29, 2012; and which demonstrates a reduction/avoidance of air pollutant emission, reduction/avoidance of water pollutants, and alleviation of a local nuisance associated with emission of odors.

The Department of Public Works reports that SB 687 is intended to spur the in-State biomethane market by requiring retail sellers of natural gas to gradually reduce the carbon intensity of their product over a period of sixteen years. Since the enactment of AB 1900 of 2012, which requires the CPUC along with several other State agencies to identify constituents that may be found in landfill gas that is to be injected into pipelines and to adopt standards for biomethane that is to be injected into pipelines to ensure integrity and safety, biomethane is permitted to be injected into common carrier pipelines. However, producers of biomethane have found difficulty competing with the relatively inexpensive price of natural gas.

The Department of Public Works indicates that SB 687 may help spur development of biomethane projects within the Los Angeles County region by providing project developers and investors market stability for their product. Such projects would assist the County in meeting the State's 50 percent diversion mandate pursuant to the California Integrated Waste Management Act (AB 939 of 1989), as well as the commercial organic waste recycling requirements established pursuant to AB 1826 of 2014.

The Department of Public Works also reports that increased use of biomethane will provide greenhouse gas emission reduction benefits by supplanting natural gas which has very high carbon intensity compared to biomethane. Moreover, the increased use of biomethane in place of natural gas would provide air quality benefits for the region by reducing the amount of air pollution associated with extracting natural gas, as well as reducing pollution resulting from the refinement and combustion of natural gas.

The Department of Public Works notes that SB 687 may provide incentive for the County to develop a biomethane project or to partner with a biomethane project developer. Increased biomethane production within the Los Angeles County region may produce new jobs in the region, as biomethane production activities have been attributed with producing two to six times more jobs than activities associated with fossil fuel produced natural gas.

This office and the Department of Public Works support SB 687. Therefore, unless otherwise directed by the Board, consistent with existing policies to support legislation which promotes the development of alternatives to landfills such as conversion technologies that protect health and safety and the environment and policies to support measures that promote the development of low carbon fuels and other feasible technologies that help meet Federal and State air quality standards, **the Sacramento advocates will support SB 687.**

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SB 687 is sponsored by the Bioenergy Association of California. There is no registered support for or opposition to the bill at this time.

SB 687 is scheduled to be heard by the Senate Energy, Utilities and Communications Committee on April 7, 2015.

We will continue to keep you advised.

SAH:JJ:MR
AO:ma

c: All Department Heads
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